MR. CHAIRMAN: One supplementary, please...*(Interruptions)*...

SHRI JESUDASU SEELAM: Sir, I just want to know from the hon. Minister the rationale of this merger. Is it to improve the functioning of banks? Improvement in functioning of banks for whose benefit? Sir, we find that this issue has been discussed here so many time. Despite our repeated requests, no sincere efforts have been made to increase the share of bank loans to the most marginalized sections of the society in this country. Sir, less than one per cent goes to them in the form of loan. There is a criticism that this bank loan waiver will not affect the lowest of the lowest in the country. Sir, I want to know from the hon. Minister whether this merger will help to increase credit flow to the weaker section, the small sector like the tiny sector with Rs. 5 lakh...*(Interruptions)*...

MR. CHAIRMAN: Put your question, please.

SHRI JESUDASU SEELAM: Sir, this is my question. What is the purpose of wasting so much...*(Interruptions)*... I think, that should serve some social purpose. ...*(Interruptions)*...

SHRI PAWAN KUMAR BANSAL: Sir, coming to the second part, which does not really arise from the main question, I would like to say that presently all the banks have a policy that 40 per cent of the entire net bank credit should go to the priority sector. Out of that, 18 per cent for agriculture, 10 per cent for the weaker sections and six per cent, according to the latest instructions of the Prime Minister, Sir for the minorities. And, admittedly, Sir, as far as the question of amalgamation is concerned, we feel that amalgamation must arise from business compulsions to increase the capital base and the organisational strength of the banks. It is not...*(Interruptions)*...

MR. CHAIRMAN: The Question Hour is over.

WRITTEN ANSWERS TO STARRED QUESTIONS

Civil Aviation Agreement between India and Pakistan

†*165. MS. SUSHILA TIRIYA:
SHRI MOTILAL VORA:

Will the Minister of CIVIL AVIATION be pleased to state:

(a) the matters on which discussions were held recently between Civil Aviation officials of India and Pakistan;

(b) whether a decision was taken to increase the number of flights from 12 to 28 in a week and to link Chennai and Islamabad by air route to boost mutual relationship among the citizens of India and Pakistan in this mutual talk;

(c) the names of airlines which have applied for providing flights to Pakistan; and

(d) the names of airlines permitted to ply between India and Pakistan and the criteria adopted for the same?

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†Original notice of the question was received in Hindi.

THE MINISTER OF STATE OF THE MINISTRY OF CIVIL AVIATION (SHRI PRAFUL PATEL): (a) to (d) Bilateral air services consultations between India and Pakistan were held on 14-15 February, 2008 at Rawalpindi in Pakistan. As per the MOU signed between the two sides during the talks, the capacity entitlements for the designated airlines of each side have been increased from 12 flights per week to 28 flights per week. Also, Islamabad and Chennai have been granted as additional points of call for the designated airlines of India and Pakistan respectively.

As per the agreement reached during the above talks, each side could now designate up to three airlines. At present, Indian Airlines is the only designated Indian carrier and Pakistan International Airlines, Shaheen Air International and Air Blue are the designated airlines of Pakistan.

Derivatives Trading by Indian Banks

*166. SHRI RAJEEV CHANDRA SEKHAR: Will the Minister of FINANCE be pleased to state:

(a) the quantum of derivatives trading and exposure on Indian stock market by Indian banks with their own capital during the last three years ending 31st December, 2007, year-wise and bank-wise, and

(b) what systematic safeguards are in place to prevent the recurrence of any large scale losses arising from derivatives trading like the one recently reported in France by Societe Generale?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) As per the extant guidelines of Reserve Bank of India (RBI), equity derivatives are not in the list of permissible derivative instruments that may be transacted by the banks. Bank-wise statements indicating total outstanding notional principal amount of derivatives and outstanding direct investment by Indian banks in capital market for the last three years as at end December 2005, 2006 and 2007 are given in the statement-I and statement II respectively.

(b) To provide a framework for undertaking derivatives transactions from a regulatory perspective, RBI has issued comprehensive guidelines on derivatives on 20th April, 2007 enunciating the broad principles and major requirements for undertaking derivative transactions, such as the participants, purpose, eligibility criteria to undertake such transactions, permissible derivative instruments/products, etc. The guidelines also set out basic principles of a prudent system to control the risks arising out of derivative transactions as also on corporate governance aspects. As per these guidelines, the banks have to put in place a Board approved policy framework for derivative transactions, to ensure, *inter-alia*, that the policy is consistent with the strategic objectives, capital strength and management capabilities of the institution, to hedge or transfer risks effectively, efficiently and expeditiously. RBI has been vested with extensive powers of supervision, regulation and control over the commercial banks through the Banking Regulation Act, 1949 and Reserve Bank of India Act, 1934. The main instruments of supervision and monitoring over the banks are through 'On-site inspection' and 'Off-site monitoring and surveillance'. During On-site inspections, RBI assesses the adherence by the bank to the regulatory guidelines on risk management systems as well as their ability to identify, measures, monitor and manage all types of risks, besides the adequacy and effectiveness of the internal control and systems in the bank.